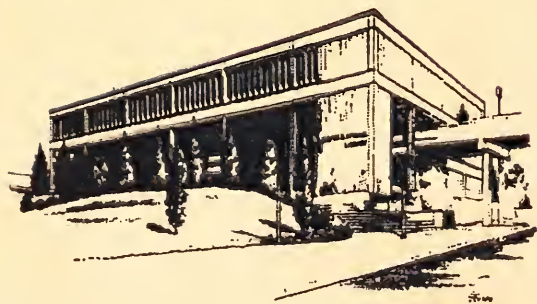



**THE AGE
OF
GREENBACKS**

LOUIS S. TIEMANN
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NEW YORK, 16, NEW YORK

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DEBT AND CURRENCY. .

IS OUR PROSPERITY A DELUSION ?

OUR

NATIONAL DEBT

AND

CURRENCY.

AUG 2 1985

BY A BOSTON MERCHANT.

Amos W. Stearns

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P R E F A C E.

THE prevalence of erroneous impressions relative to our real condition, the tendency of which is to encourage general extravagance, excessive importations, and a prolongation of the war, has induced me to give expression in the following pages to a few thoughts upon the subject, based, as I believe, upon right principles, for the purpose of correcting popular misapprehension, and arousing the public mind to the consideration of the actual condition of our affairs, the right appreciation of which is so essential to our prosperity as a nation.

In speaking of the North, says Mr. Cobden: "They are mistaken if they think they can carry on a civil war like this, drawing a million of men from productive industry, to be engaged in the processes of destruction, — to spend \$1,500,000,000, — they are deluded if they think they can carry on a war like that without a terrible collapse sooner or later, and a dreadful prostration in every part of the community."

A. W. S.

Amos W. Stetson



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ARE WE PROSPEROUS?

SECTION 1. Throughout the loyal States the hum of human industry is heard, labor is fully employed, human skill and ingenuity are opening new channels of production, new schemes and enterprises are constantly brought forward and prosecuted with energy, trade is active, and money plenty ; and, everywhere, in the marts of trade, in the legislative hall, at the stock exchange, and the political gathering, are heard rejoicings over our prosperity.

Remote from the scene of conflict between contending armies, ignorant of the horrors of war, and experiencing but little inconven-

ience, and, as we think, large profits from its destructive powers, we are living happily under the impression that we are "prosperous," and are, to an alarming extent, indifferent respecting its speedy and successful termination.

2. Our so-called "prosperity" has had the effect to draw off our attention, allay our excitement, quiet our fears, and stupefy our sensibilities relative to the great conflict in which we are engaged; and the principal reason why men do not volunteer with alacrity is because of this delusive prosperity which abounds at home. There is no want of able-bodied men, for our streets are filled with them; but it is because neighbors, friends, and companions are supposed to be making their fortunes by speculations, or because labor is completely supplied with steady employment and high wages, that even the heavy bounties provided do not offer sufficient inducements

for men to enter the service. Thus it is that this nominal prosperity, which is to a great extent the product of the war, is the proximate cause why war languishes for want of men to fill up its armies.

3. It appears to me, however, that this "prosperity" is to a great extent a popular delusion, that it rests upon a fictitious basis, and although presenting to the public mind a specious and plausible appearance when clothed in its "glittering generalities," it is nevertheless imaginary rather than real, and illusive rather than actual. Believing thus, and entertaining the conviction that the only way to secure prosperity, is by securing the speedy and successful termination of the war, it seems desirable that some effort should be made to check the spread of this popular error, and bring the public mind to a more correct appreciation of our true condition.

4. Apparent prosperity generally pre-

cedes disaster. In our own history we have experienced severe monetary disasters, the most, if not all of which have been immediately preceded by great apparent prosperity, the sequel of which proved conclusively that our nominal prosperity was, to a considerable extent, a phantom, as it resulted in disaster to thousands who were deceived by its pretentious appearance.

5. In attempting to correct a popular error, I am aware I have a difficult task to perform ; for popularisms, when they are supported by so many superficial appearances, and harmonize so beautifully with our feelings and desires, are with great difficulty overthrown. I approach the subject, therefore, reluctantly. So general is the belief in "our prosperity," its superficial appearances are so fascinating and bewildering, that it seems almost unkind to disturb the tranquil course of thought by endeavoring to look beneath the surface.

6. In what does true prosperity consist? A short and, I believe, a correct answer is, in the productive employment of labor. For it is by the labor of the people that all subsist, and, when that labor is actively and productively employed, when the capital and skill of the nation are united with the industry of the country in acquiring the greatest possible amount of produce, then it is that the nation may be said to be truly prosperous, and to become wealthy to the extent of its surplus products. Conversely, it must be admitted that, when a large proportion of people are non-producers, and another large proportion are engaged in unproductive employments, that people cannot be said to be truly prosperous, as it is by the unproductiveness of labor that nations decay.

In dealing with this question, I wish to abstract it from all political relations and associations, and view it, so far as it relates

to the wealth and productive prosperity of the country. It is, therefore, material and not political prosperity which we are to examine.

7. According to common report we have nearly one million men in the service of the government. These men, with thousands of office-holders, are non-producers, and the value of their labor is an absolute loss of productive capital to the country. Then, we have nearly a million engaged in unproductive employments, or, in other words, the manufacture of the materials of war, which is like the complete destruction of so much capital, as far as any increase of wealth is concerned.

Says J. S. Mill, "By unproductive labor will be understood labor which does not terminate in the creation of material wealth; which, however largely or successfully practised, does not render the community, and the world at large, richer in mate-

rial products, but poorer by all that is consumed by the laborers while so employed."

Our immense armies are therefore not only non-producers, but are destroyers and consumers of the capital of the country. And, while other labor produces more than it consumes, these classes produce comparatively nothing, involving a loss to the country, not only of the productive labor of these large classes, but also the losses which arise from waste and destruction of material incident to war.

A vast amount of real capital or wealth is thus withdrawn from productive employments, and annihilated. A value is thereby taken from the community without its receiving any in return, and that value is destroyed.

8. Government consumption, therefore, unless spent upon internal improvements, or other useful objects, is destructive of capital, and differs entirely in its character

from the consumption of the community ; for, in the community, the consumer reproduces by his labor more than he destroys, whereas, the government being a consumer and a non-producer, extinguishes the capital it consumes, and reproduces nothing. When speaking of capital, I do not wish to be understood as referring to money, for paper money is not capital ; but by capital, I mean the accumulated product of man's industry, available for his support, or which will produce other commodities.

Paper money is simply a medium of exchange for the transfer of commodities from one person to another ; and, when the government calls for a loan, it does not want money, but really wants commodities to consume and to destroy.

“ Nations,” says J. B. Say, “ never borrow but with a view to consume.” He also says, “ War costs a nation more than

its actual expenses ; it costs, besides, all that would have been gained but for its occurrence.”

9. Had capital or commodities not been loaned to government, they would have been consumed reproductively, instead of unproductively, and the wealth of the nation would have been thereby increased.

“All material products,” says Mill, “consumed by any one while he produces nothing, are so much subtracted, for the time, from the material products which society would otherwise have possessed.”

Labor and industry are therefore great promoters of wealth and prosperity, and if we wish to increase our wealth, or attain real prosperity, we must not only have our labor industriously and actively employed, but it must be employed profitably, in producing those material products which are valuable to society.

In spite of all this, it may be said never-

theless, we are prosperous ; for it is apparent to every observer.

10. Now, having discovered some of the elements of true prosperity, let us specify some of the characteristics of this apparent or specious prosperity. In relation to it, Dr. Wm. Elder says, "The knowledge of our immensely enhanced activity in all branches of industry is brought home to everybody in the Free States, by the almost perfect distribution of its benefits."

"It is estimated that the manufacturing industry of the present year (1863), in the loyal States, is nearly equal to that produced in 1860, and when we consider the loss of our Southern customers, who took six times more of our products than all the world besides, such results awaken wonder." Other significant signs of prosperity are said to be the millions of property liberated from incumbrances, the large increase in number of depositors, and deposits in the Savings

Banks, the abundance of money, and property on the rise.

The above are some of the prominent indications of this prevailing prosperity.

11. Now, considering the character of a gigantic war, in its consumption of products, its immense destruction of material, and its consequent enormous expenditures, it cannot be considered very surprising or wonderful that the remaining labor should find employment, and that nearly all branches of business should experience "enhanced activity." Hence, before adopting the conclusion, that all this manufacturing industry, and apparent wealth, is proof of our prosperity, it would be well to examine into its causes and results.

The great primary cause is the demand of the government upon the farmer, the woollen manufacturer, the ironmonger, the papermaker, the tanner, and other artisans and producers, too numerous to mention, for

the supply of a large army in the field, and a large army of public officials out of it, which inevitably furnishes a constant stimulant to traffic, the effects of which are felt throughout the whole fabric of society.

It is thus that the loss of our Southern customers, who were producers, is made up. An army of government customers, who are non-producers, have taken their places at the marts of trade ; and hence, instead of obtaining *products* in exchange for our commodities, we are receiving *debt*, or mortgages upon the property of the people, and this is called prosperity.

That the expenditure of hundreds of millions of dollars per annum, with the withdrawal of a large army of laborers from productive employments should stimulate industry and “enhance its activity” is not, therefore, a matter of so much “wonder ;” while the assertion that such a condition of things is an evidence of prosperity must be a great error of judgment.

For instance, suppose a nobleman, possessing a large estate, occupied by one thousand laborers, should authorize his son to withdraw a considerable portion of them from their productive employments to indulge in idleness, while another portion were engaged in the manufacture of materials, which those indulging in idleness destroyed, we should readily perceive that the remaining portion would be actively and industriously employed in providing for themselves, and for the large body of their fellow-laborers withdrawn from productive employments. Then suppose the son to be short of money, and, by an agreement and with the indorsement of his father, is allowed to issue promissory notes and bonds to sustain his prodigality,—could that estate be termed prosperous? Would it not be a specious or imaginary prosperity because created and sustained by debt? Is it not in some aspects a fair illustration of our position? Is not this gigantic

war, and its consequent enormous expenditures, by promises to pay, the mainspring of our present national industry? And is not this national industry created and sustained by debt?

12. That this war, and consequent war-debt, is the mainspring of our present national industry, and the symbol of so-called prosperity, I need only refer to the able Report of the Bank Commissioners of Massachusetts for 1862, who, after a thorough investigation, say, "It becomes necessary to show the effect of the war on the business of the Commonwealth": —

"At the breaking out of the Rebellion, it was feared that the business of the country would be entirely prostrated, and the banks, which make their gains out of the activity of trade, expected to be the greatest sufferers. Neither of these fears has been justified by the event. Seldom, if ever, has the business of Massachusetts been more active, or profit-

able than during the past year. *The war* has brought into activity many mechanical employments for which there is little occasion in time of peace ; such, for example, as the manufacture of arms and ordnance, camp and garrison equipage, saddlery and artillery harness, and military clothing and accoutrements. It has also greatly stimulated the manufacture of boots and shoes, and of woollen goods ; while the subsistence of the army has furnished a constant and remunerative market for breadstuffs and provisions. There is hardly a branch of domestic industry which has not been actively employed. * * * Nor has the condition of the operatives deprived of their usual employment been materially impaired. So great has been the draft upon the male population to fill the army, that there has been an unusual demand for men's labor in other directions, while female operatives have found occupation in the manufactories of clothing, &c.

“The railroads of the Commonwealth were never more profitably employed, and they have made larger dividends, and their stocks have borne a higher price, than at any former period. The vast grain crops of the West have sought a market on the seaboard or in foreign countries, and having been deprived of their usual water-carriage by the closing of the Mississippi, have poured through the canals, and over railroads leading to New York and Boston. The carriage of troops and army supplies has, also, furnished a considerable business, even to the New England roads, while those of the Middle and Border States, leading toward the seat of war, have been completely occupied with the new traffic.

“The loss of the cotton crop, and the closing of the seaports and great rivers of the South seemed likely to destroy the occupation of our mercantile marine; but here, again, new channels of business have

arisen, and anxieties have been dispelled. The necessity of transporting great bodies of troops from point to point along the seaboard, and of furnishing them subsistence, has called into the service of the government a vast fleet of transports, for the hire of which the owners have received rates of compensation greatly exceeding the ordinary profits of commerce.

“Every steam-vessel, capable of navigating either the ocean, or harbors and rivers, has been thus employed; and many more, previously regarded as worn-out, and no longer seaworthy, having been flimsily repaired, and made to pass through a hasty and corrupt inspection, have gone out laden with valuable property, or invaluable lives, to be wrecked or rescued, as the chances of weather or as skilful seamanship might determine. The shipyards, both public and private, have been worked to their utmost capacity, in the construction of iron-clad gunboats and

other vessels of war ; while machine-shops, rolling-mills, and foundries, have been equally busy in building their engines, rolling their armor-plates, and casting their guns. Nor has foreign commerce greatly declined, the grain-trade and the import of munitions and arms having come in to supplement the loss occasioned by the detention of cotton.

* * * * IN EVERY DEPARTMENT OF LABOR THE GOVERNMENT HAS BEEN DIRECTLY OR INDIRECTLY THE CHIEF EMPLOYER AND PAYMASTER.”

Such is the decision of our Massachusetts Bank Commissioners, that it is debt, national debt, the consumption and destruction of so much of the capital of the nation, which amount — an incumbrance upon the property of the people — has produced this industrial activity.

13. Whereas, in former times, every addition to the stock of one man's produce created a demand for another man's produce, and that was the constant stimulant of na-

tional industry and wealth, now a new element in political economy has been discovered, in which nearly every addition to the stock of one man's produce creates a demand for government debt.

Industrial activity, created by running into debt, is thereby termed a prosperous condition. To me however it seems far otherwise ; as it partakes of a somewhat similar character to that of the father, whose son, a spendthrift, squanders his father's fortune, burdens his estate with debt, thereby annihilating so much of his father's capital, to the loss of its productive employment.

14. Debt is not and cannot be a healthy stimulant to prosperity, unless the amount of that debt has been spent in production. And if our national industry is the offspring, to any considerable extent, of the war which has created our great national debt, as all thoughtful minds must admit, such a condition of things cannot, with any semblance of truth, be termed prosperous.

If the rapid increase of debt—which is to a great extent the destruction of capital, and a mortgage upon the property of the citizens of the United States, for the payment of which their estates stand pledged—is the normal condition of prosperity, then indeed are we prosperous.

But, if prosperity consists in the productive employment of labor, the payment of debts, and the economical employment and accumulation of capital, then it cannot be said that we are prosperous.

15. It is therefore necessary that as a people, we should remember, that no real prosperity can exist, and that the impoverishment of the masses of our people must ensue, unless this war is brought to a speedy and successful termination. Says Ricardo, “It is by the profuse expenditure of government, and of individuals, and by loans, that a country is impoverished.”

16. The prevailing blindness to our real

condition is not, however, the result of the industrial demands of war alone, but it has been greatly promoted and fostered by the issues of a paper currency, and a bonded debt by the government. And this brings me to the consideration of our NATIONAL DEBT AND CURRENCY.

THE
NATIONAL DEBT AND CURRENCY.

17. Our National Debt is an almost complete annihilation of capital; nearly its whole amount having been withdrawn from productive employment—it stands to-day a mortgage upon the property of the people, the interest upon which must be met by taxes paid by the people.

That we have abundant ability to sustain the burden of a large national debt, I have not the slightest doubt. That a debt, of reasonable proportions, distributed among the people, would have the tendency to unite us more compactly and steadfastly as an undivided nation, I believe susceptible of proof. And that Mr. Chase, the Hon. Secretary of the Treasury, has played his

part with admirable shrewdness, tact, and skill, I fully believe.

Nevertheless, I am of the opinion that debt created by war, and consequent destruction of capital, cannot result in the material wealth and prosperity of the nation, whatever specious appearances it may possess. If, however, the hundreds of millions of capital destroyed, and debt created had been spent in improving rivers and harbors, the construction of railroads, the widening of canals, the advancement of learning, and the encouragement of science, all of which would have been a productive expenditure of capital, then indeed should we have been enabled to rejoice in our prosperity as a people, and in the brilliant position we should have attained among the nations of the earth.

It is often said, England is prosperous ; she sustains a large debt and so can we. This is all very true ; but we know not to what

higher degree of prosperity she might have attained, had she not been burdened with debt; for with all her prosperity, the masses of her people are impoverished.

“The poor of Great Britain,” says Joseph Kay — than whom no one is more competent to express an intelligent opinion — “are more depressed, more pauperized, more numerous in comparison to the other classes, more irreligious, and very much worse educated than the poor of any other European nation, solely excepting Russia, Turkey, South Italy, Portugal and Spain.”

We do not, therefore, want to imitate England, — far from it, there the rich grow richer, and the poor poorer, — but we desire to raise the masses of liberty-loving Americans to a higher level, and to a more prosperous condition, rather than oppress them with a burden of government taxation, which, in all nations, inevitably falls directly and indirectly upon the poor and producing classes.

18. Our national debt, although for a noble purpose, has been contracted through the deceptive character of a paper currency, without the reception of an adequate value. The increased prices of commodities produced by paper issues have very much enlarged it. The nation has been, in fact, an immense borrower of a depreciated currency, which it agrees to refund in specie. In other words, we are borrowing commodities at high paper values, which are fifty per cent. premium over their specie value, and agree to pay for them in specie. Our debt is therefore undergoing a rapid increase, because we thereby agree to pay \$150 in gold for every \$100 we receive.

19. The doctrine of the celebrated John Law was, that money was the cause, and not the effect, of wealth; and he favored large issues of paper money, as the high road to wealth. He tried the experiment, and met with complete disaster.

In our day, there are thousands who believe and advocate the same doctrine.

There is a general impression that the more paper money issued, the better ; and the idea is commonly entertained that the more of it we have, the more wealth we possess. In some quarters it is asserted that there is now an actual necessity for an additional issue of legal tender currency. Thus, the public mind appears confused by the deceptive character of our paper currency.

20. The issue of legal tender currency was, on the 30th of September, \$420,503,107 — and the national debt inclusive, \$1,222,113,559.80 — which debt must be very considerably increased by outstanding claims against the government.

21. Our paper currency consists of two kinds, one of which rests upon confidence, and the other upon authority. If we would preserve its value at par with coin, the quantity issued must conform to the amount

required by the country to circulate its property and products at average specie values ; otherwise, it will be depreciated, or appreciated, as it is increased or decreased above or below its just proportion.

22. Money is properly a medium of exchange for the transfer of property between man and man ; it represents and measures value, and facilitates the exchange of products, and is endowed with legal power to represent actual value. Every nation requires a certain amount of money sufficient to make its exchanges, transfers of property, and circulation of commodities, and it is graduated or distributed among them in accordance with the general law of supply and demand regulating all values.

“ Gold and silver,” says Ricardo, “ having been chosen for the general medium of circulation, they are, by the competition of commerce, distributed in such proportions amongst the different countries of the world

as to accommodate themselves to the natural traffic which would take place if no such metals existed, and the trade between countries were purely a trade of barter." There is then, we may say, a general level of values, which are moved by the metallic circulating medium of the world. And when any one nation, by any method, increases its circulating medium, the values relatively remain the same, but the prices become enhanced, and those prices, in specie-paying countries check exports, while they increase imports, and turn the balance of trade against the country, until by the exportation of specie, and consequent reduction of the currency, the circulating medium is restored to the general equilibrium.

23. In countries where the currency is exclusively paper, the effect is somewhat different; in those countries, the values remain the same, and prices become greatly enhanced, but they do not have the same

effect upon imports and exports, because as prices advance, the currency is inversely depreciated. If, therefore, the currency depreciates as rapidly as prices advance, as manifested in the premium on gold, then, although at higher prices, the values of gold and commodities are preserved at their just equilibrium, and scarcely any effect is produced upon either exports or imports.

24. Almost universally amongst the civilized nations of the earth, gold and silver have been selected as the standard measures of value for carrying on their relations, because, of all commodities they are the least fluctuating in value. Gold has a recognized and stable value throughout the world, which value is determined, as a general rule, by the cost of production ; and the direct tendency of this metallic commodity and currency, is to distribute itself where it is most wanted ; thus preserving the general level of value between the whole ocean

of currency and other values. In order, therefore, to ascertain the condition of our currency, or the currency of any people on the face of the earth, it must be tried by that standard. Bank-notes, paper-credits, and government-currency are not commodities, and have no intrinsic value, and their marketable value must therefore be tried by the generally recognized standard of value.

25. To prevent depreciation, paper money must be so regulated as to keep it in the same condition, in regard to amount and value, in which the medium of exchange would exist, were the circulation purely metallic.

When specie payments were suspended by the Bank of England in 1797, the value of paper currency was maintained for several years, because the issues of paper were regulated with reference to the indication of exchanges or the price of gold.

26. If there was perfect security for the issue of paper money in only such quantities as would preserve its value relatively to the mass of currency and values throughout the world, it would never suffer depreciation, and would be of great advantage to the public. But no such security can be given; the production of it is too easy and simple a process, and the temptation, when in want of money, too strong to restrain the issue. Hence the instability and unsatisfactory character of Paper Currency.

27. The large issues of paper money by our government have enhanced prices, but have not produced any augmentation of value; yet, because of the general rise in prices, a popular impression prevails of a large increase in wealth. The prevailing opinion seems to be that a general rise in prices is indicative of increasing wealth, whereas, nothing is more absurd. Price does not create value. Neither can legislative

enactment. "Value," says Mill, "is a relative term. The value of a thing means the quantity of other things which can be obtained in exchange for it." "By the price of a thing we understand its value in money; by the value or exchange value of a thing its general power which its possession gives in the purchase of other commodities." "There may be a general rise in prices, but there cannot be a general rise in values."

If there is a general rise in the money *prices* of all things, it cannot make the slightest difference as to the wealth of the community, because their exchangeable value, or relation to one another, must remain precisely the same, although it may take more money to effect transfers. The great principle to be constantly borne in mind is, that the *value* of capital is the essential thing, and constitutes the wealth of society. If half our currency was swept

away, the nation would not be any the poorer. With our p^resent large issues of paper currency, values circulate at high prices, but, as a general thing, one product will not ex^{ch}ange for more of another than it would on the old specie basis, which proves that real *value* remains the same, while the variation in *prices* is caused by an alteration or depreciation in the value of money. But, why call it a depreciation in the value of paper money, I may be asked.

28. Because, paper money will not purchase as much of the commodities of life as the same amount of our former currency would do, which, after making all reasonable allowances for other operative causes, proves that money has lost its purchasing power, and become depreciated. If we take the two articles of consumption, sugar and coffee, we find, after deducting the additional duty, that the advance in price has been considerably over fifty per cent. It

consequently takes \$150 in paper currency to pay for the same amount of those products procured by our old currency, or the currency of the world, for \$100, while the value of sugar and coffee holds its same relative proportion to each article. With two pounds of sugar one could procure one pound of coffee, under our old specie currency, as they now can under our paper currency. Our currency, therefore, has been unduly increased and depreciated, while values have not been in the slightest degree affected. The paper price and imaginary value of one hundred barrels of flour is nine hundred dollars, but with specie at fifty per cent. premium its exchangeable value is only six hundred dollars; therefore, one hundred barrels of flour will pay for only six hundred dollars worth of foreign produce which we consume, and for which our flour is exchanged. Hence, its real value consists in its exchangeable value of six hundred

dollars, and not in its paper, fictitious, or imaginary value.

29. There are only two ways by which a currency can be depreciated. If metallic, by a debased or degraded coin, or a redundancy of gold ; if paper, by loss of confidence, or over-issue. Gold, being a commodity, has its value based as a general rule, like all other values, upon the cost of production, and when redundant in one country, its price, being fixed, remains unaltered, while the prices of all other values have advanced ; therefore gold, being the most valuable at its price, is taken in preference to other values which bear a high price, for exportation. Paper, however, when issued in excess, having no intrinsic value, does not rise relatively with other articles, and, though the price remains unaltered, is not wanted for export.

30. Hence, the excess of paper money in the United States never goes out of it ; but

is kept in constant circulation ; it cannot be returned to the issuer for redemption, but must be pressed upon the market, and passed from hand to hand : and, as it is not desirable for its own sake, but only for what it will accomplish, every holder is desirous of employing it in the purchase of something of value. It acts, therefore, as an originating cause of speculations, and the activity of circulation engendered has the direct tendency to enhance prices and foster extravagance.

Says Tooke, "Additional currency, in whatever way it comes into circulation, must eventually raise the price of commodities and labor."

31. A certain amount of circulating medium is demanded, and no more ; when that amount is exceeded, its value is diminished, because it requires more of it to make exchanges, and is not therefore worth as much as before. Money controls or commands

capital, and the more or less capital a certain amount of money will control, demonstrates its value. If the amount of money is so profuse, by the introduction of a paper currency, that it takes fifty per cent. more to buy with paper what one could buy with gold, the currency of the world, it seems to me the depreciation of the currency must be manifest. As an illustration of depreciation, simple and to the point, let us take the case of any man who laid by one hundred dollars of our old currency; could he not to-day, with that, buy one hundred and fifty dollars' worth of any commodities as valued by our present currency? Will any one say, then, that one hundred dollars of our present currency is worth as much in real value as one hundred dollars of our old currency? No. Has it not then, depreciated? Money having a legal and nominal price, which is invariable, any depreciation in its value must show itself in the enhanced prices of com-

modities. In California, however, where gold is current at par, the depreciation is seen in the price of legal tender.

“No government,” says Say, “has the power of increasing the total value of money otherwise than nominally. The increased quantity of the whole reduces the value of every part.” Says P. Webster, in relation to vain endeavors to increase the value of money by paper issues, “I have known people who had not milk enough to water it, but the nutritious particles of milk were not increased thereby. I have known children to change their pistareens to coppers to gain a greater heap of money; in these cases the *substance* was wanting; the *show* though increased was delusive.”

“Any further increase,” says Mill, “of paper beyond the amount substituted for a metallic currency is but a form of robbery.”

“A circulation can never be so abundant

as to overflow," says Ricardo ; " for by diminishing its value, in the same proportion, you will increase its quantity, and by increasing its value, diminish its quantity."

32. While Secretary Chase, as I have just noticed in his report to Congress, entertains somewhat similar views, relative to depreciation caused by increase of the circulating medium, expressed in these words : " Such addition tends inevitably to depreciation, and depreciation, if addition be continued, will find its only practical limit in the utter worthlessness of the augmented mass," yet, he seems to question the representation that any " large measure " of the increase of prices is attributable to the existing amount of circulation.

With all his attempted explanations, however, he is very cautious in his statements as to what proportion of the present enhanced prices is properly chargeable to our depreciated currency, and goes on to say,

that “much the greater part of the rise of prices, not accounted for by other causes, as well as much the greater part of the difference between notes and gold, is attributable to the large amount of bank-notes yet in circulation.” And then, after giving the following excellent advice, viz: “all proper measures should be adopted to hasten the return to the normal condition of prices and business” — he urges the further establishment of national banks.

33. It seems to me our Hon. Secretary is in this matter very inconsistent. For, in the first place, he says addition to the currency tends to its utter worthlessness. 2d. That bank circulation is the cause of the greater part of the depreciation between notes and gold. Then, after giving wholesome advice about returning to the normal condition of prices and business, he turns about and urges the further issue of bank circulation by the establishment of national

banks. He is really an advocate, therefore, by other instrumentalities, of the same results which he deplores. Suppose, for instance. our State banks were converted into national banks, would their circulation be thereby decreased? Not at all; their bills, instead of being furnished by themselves, would be provided by the government, and their circulation would be increased rather than decreased, because their bills would have an additional currency, being current for all government dues excepting duties on imports, and for all government debts except interest on bonded debt; and, with the currency of their bills increased, their circulation could not fail to be augmented. But, not only does the Hon. Secretary wish State banks to adopt the new system, but he desires to establish other banks throughout the country, the effect of which would be to increase bank circulation and foster specula-

tion, bringing about the very disastrous results which he deplores.

34. Our present bank circulation, however, is not, in my opinion, the cause of the difference between notes and gold. That assumption is entirely unsupported by any good or sufficient reason. Mr. Chase says, with great truth and accuracy of statement, "that the currency cannot be materially augmented without evil consequences of the worst character." In order, therefore, to ascertain from what quarter evil consequences have proceeded, we must ascertain from what source the increase of our currency has been derived. According to our returns nearest Jan. 1, 1861, the bank circulation of the loyal States was \$140,000,000, and nearest Jan. 1, 1863, \$168,400,000, an increase of only about \$30,000,000, which amount is at the present time decreased, and does not equal the amount of government legal tender notes, now withheld by the

banks, as a basis for their own circulation.

35. Within the same time, the government has enlarged the volume of currency by adding over \$400,000,000, which shows conclusively that the "material augmentation of the currency," productive of these "evil consequences," has been derived from the government.

36. But, because of the "evil consequences" arising from a depreciated currency the Hon. Secretary seeks to throw upon the State banks the odium thereof, and says: "Were these bank-notes withdrawn from use, it is believed that much of the now very considerable difference between coin and United States notes would disappear." That is true, very true; but would not the same principle apply with equal force to the contraction in the issue of legal tender, to the same amount? Certainly. Of this there can be no question. The reduction of the

currency to the amount of \$200,000,000, whether by the withdrawal of bank notes or legal tender, must increase the value of the remaining currency, and cause "much of the difference between coin and notes to disappear." Its natural effect would be to cause a decline in the prices of all values, including gold, because gold is a value ; and the reason for the decline would be, because the amount of money being \$200,000,000 — smaller than before, with the same values to circulate, those values must, in the very nature of things, be reduced in prices in order to be circulated by the remaining money ; and this decline in prices would demonstrate the increased value of money, because a certain amount of money would command more of commodities or values than before.

This vital principle, namely, that by diminishing the quantity of currency we increase its value, and by increasing the quantity we decrease its value, appears to be acknowl-

edged and approved by Secretary Chase. Still, notwithstanding his assent to its positive truth, he persists in advocating the establishment of national bank circulation, thereby increasing the quantity of currency and decreasing its value, which, according to his own reasoning and belief, must be productive of evil consequences.

37. It is apparent that consistency, as well as the public welfare, requires the suppression of all bank circulation, both State and national. For, as Mr. Chase says, "it is believed, were State bank circulation withdrawn, much of the difference between notes and coin would disappear." Now the same principle applies with equal force to national bank as to State bank circulation; consequently, if the suppression of State bank circulation would be productive of such happy effects, then certainly the public welfare demands the suppression of all other bank circulation, and the immediate discon-

tinuance of all projects calculated to create it. One class of circulation should not be suppressed for the creation of another, as no advantage would be gained, and all good effects would be neutralized; but both classes should be suppressed, and our banks, both State and national, become simply banks of deposit, and allowed to circulate nothing but the legal tender currency of the country.

38. If we ever return to the "normal condition of prices and business," it must be through the reduction of the circulating medium, brought into just relations to the circulating value of the metallic currency of the world. This reduction can be accomplished by two methods. One, the withdrawal or suppression of a portion of it; the other, the introduction of it into the Southern States, where it is now shut out. The entrance of a portion of it there, to circulate their values, would evidently reduce the

amount circulating in the loyal States, and the same effect would be produced on prices in both cases. Hence, if we are successful in suppressing the Rebellion, and open the country to the circulation of our currency in the transfer of values, then the currency existing here, in the loyal States, will be reduced by precisely the amount required to circulate values in the Southern States, and prices of gold and other values will decline, in consequence of the reduction of the currency, compared with values circulated, until those prices are brought to their proper level, as measured by the reduced volume of paper currency. But those prices will not be brought to their "normal condition" unless the whole volume of currency shall stand *reduced* to its just proportions relative to all values, or, to the same amount as it would be, were the currency of the country gold and silver. And unless it be so reduced by one of these two methods, its

value must continue to be depreciated below that of our neighbors, or what is the same thing, redundant compared with the currency of other countries; which depreciation is measured to a great extent by the price of gold.

39. Speculations and loss of confidence in our finances do of course produce their effect upon the price of gold, causing more or less variation, sending it sometimes higher, then by reaction lower, than its relative paper value to all other commodities; but as a general rule it marks by its average price the depreciation of paper. If paper is not depreciated to the amount of the average premium on gold, why should gold move out of the country, at so high a price?

In the present currency our products bear an inflated paper or fictitious value; and after the premium on gold is subtracted, they are of no more real or intrinsic worth than gold. Consequently, legal tender is

depreciated to that extent. If our products were much cheaper than gold, after deducting the premium on gold from their currency prices, it is evident the exportation of gold would cease.

40. That the prevailing high prices of all commodities is wholly attributable to depreciation, no one pretends to assert. For, the comparative state of demand and supply is known to be one of the prominent operative causes in prices. This is seen especially in the two leading articles of cotton and wool. The short supply of cotton has greatly enhanced its price, and the great demand for wool, in consequence of a short supply of cotton and other causes, has greatly increased the price of wool. Nevertheless it is apparent that these articles, whatever may be their prices, are just so much higher in legal tender notes, as those notes are lower than our old specie currency.

41. Supply and demand have their effects on prices the world over, and if we are engaged in a war, and are large consumers of certain articles, those articles in foreign countries, unless their importation or exportation is restricted, feel the effect of it, and are affected in price, there as here, from the same causes ; but, over and above that cause and every other operating upon prices universally, there is one cause which creates a large difference in the prices of the same values, between those in our own and foreign countries. For instance, two hundred pounds of cotton are worth in Boston one hundred and fifty dollars. In Liverpool, the same value, two hundred pounds of cotton, are worth one hundred dollars. Now, the same causes with one solitary exception, which have operated to carry cotton up in Boston to one hundred and fifty dollars, have carried it up in Liverpool to one hundred dollars, and that, the circulation in

Boston of a large issue of legal tender notes ; hence, we may say with confidence that the difference in price of fifty per cent., must be caused by a depreciation of our currency.

And that depreciation manifests itself throughout the whole range of money prices, at about the same ratio, whether high or low. According to the Merchant's Magazine for November, there are fifty-five articles upon the Prices Current, which show a rise since 1861 of eighty-one per cent. ; in the same time, the rise of the principal railroad stocks has been one hundred and thirty-nine per cent. These enhanced prices are partially owing to increased values, common throughout the commercial world, while the remainder is owing to the existence of a depreciated currency.

42. Some of the effects of enhanced prices are seen in the record of the Clearing Houses in New York and Boston. The

Clearing House, it is understood, is where the total amount of payment to be made by each bank is set off against the total amount to be received by each from other banks, every day, and the balance only paid in money. These clearings, therefore, indicate the amount of money transfers of property made by bank deposits, from day to day, although they do not cover those made from account to account in the books of each bank.

In New York City, the clearings per day were, in 1857, \$26,968,371 ; in 1858, \$15,393,735 ; in 1859, \$20,867,333 ; in 1860, \$23,477,737 ; in November, 1861, \$19,590,177 ; in November, 1863, \$76,573,118. In Boston, November, 1861, \$3,715,969 ; in November, 1863, \$8,545,813.

Here, it appears, taking the highest average in the year 1857, when speculation was rampant, and the expansion of the currency had inflated prices, and brought upon the

country a monetary crisis, that the circulation of values, or the transfer of property, now takes three times the amount in our inconvertible paper currency which it then took in a convertible currency.

To move commodities or values transferred by high paper prices, bank deposits also are largely increased, as will be seen below.

The deposits in New York City banks, in 1859, were \$76,665,092; in 1860, \$79,716,004; in 1861, \$83,252,466; in 1862, \$112,195,094; in 1863, \$138,195,914. Deposits in Boston banks, in 1861, \$24,760,563; in 1863, \$32,371,254.

It will be observed that the amount of clearings before the issue of legal tender notes was not so great in proportion to the amount of deposits as it now is, by one hundred per cent.; which indicates that a lack of confidence in the circulating medium as a value, or a more than ordinary desire

to turn whatever money is possessed into productive employment has greatly increased the circulation of deposits.

43. Paper money freely issued has largely augmented the volume of circulating medium, and raised its level, here, there, and everywhere it circulates. The quantity having been increased, all commodities or values circulated by it bear their proportion as to price, by partaking of the "augmented mass;" then prices being enhanced, deposits and clearings must be increased, and the whole superstructure of trade, business, and values adjusted to the new level of currency.

44. The over-issue of paper money by the government has been a most expensive undertaking. Not that it costs anything in itself, for it is an easy and fascinating process, to pay debt, by creating debt. So easy, that it is said, a member of the Continental Congress once exclaimed in debate, "Do

you think, gentlemen, that I will consent to load my constituents with taxes, when we can send to our printer and get a wagon-load of money." It is also reported of a patriotic old lady, that she considered it a shame "that Congress should let the soldiers suffer, when it has power to make just as much money as it chooses."

Yet, although so easy, it is a most expensive process; it costs the government vastly more than they save in interest; because, by being obliged to pay increased prices for all it consumes, its debt is increased with much greater rapidity than it otherwise would be. It virtually receives but seventy dollars in value for every one hundred dollars it agrees to pay. In other words, it agrees to pay in the currency of the world one hundred dollars for every seventy dollars it borrows; because in that currency it could buy, for less than seventy dollars, the very same value for which it pays one hundred dollars in paper, or legal tender.

Thus the national debt is largely increased without any additional value being obtained, which increases the taxes and throws the burden upon the people.

The effect of the issue of paper money has been likened to insensible perspiration, which weakens the body, and wastes the constitution before the patient knows he is sick ; and it is said, a man possessing a great bundle of it is apt to be cheated, in spite of his convictions, into an opinion that he is richer than he is, and led into extravagant expenditures by the delusion. There is a great deal of truth in those statements ; and although our government may not feel its weakness, nor the people their burden, owing to its strong constitution, and the illusion of a paper currency, yet, unless there is a contraction, rather than an expansion of our currency, those results are inevitable.

The depreciated currency has not only

increased the government debt and taxes upon the people, but it has been severely felt by the prudent, industrious, and economical portion of our people, especially by annuitants, and salaried men; and their income in consequence of it, has been virtually reduced one-third. While the better class of citizens have suffered, by the depreciated currency, all money debtors have been enabled to pay their creditors in a sum of money really less than the fair claims. There are thousands of our citizens, however, who are really sufferers by the depreciated currency, who are entirely ignorant of it; they look over their stock of goods, or other property, and cast up the amount, as estimated in paper prices, with evident satisfaction; and, in consideration of large profits, spend their earnings and live extravagantly; but, when that day comes, as come it must, and these enhanced paper prices vanish, as the bubble breaks,

then they will have a glimpse of their real condition, and will conclude that all is not prosperous that appears prosperous.

45. It is often asserted that no more paper has been issued than the wants of commerce require, that it is *all* employed and there are calls for more. We have no doubt that at the present high prices of all values, the currency is all wanted; but it is also certain that if *more* were issued, *more* would be required, as prices would advance proportionally. "The wants of customers," says Lord Overstone, "never check issues; they are absolutely illimitable in the nature of things; money is wanted by everybody to any amount."

It is impossible to satisfy the craving for money, so long as there is in it the slightest power to purchase values. When the Continental Congress "poured out their currency like water," says Mr. Felt, "they perceived with anguish that its nominal abundance diminished its real value, and left the vacuum

of want unsupplied, whose sound continually came to their ears, like a warning curfew, and whose cry increasingly was, Give, give."

No, the desire for more money is no proof of the necessity for it, for that desire would continue, until it took \$1000 "to pay for a breakfast;" and would increase as the value of money decreased.

46. Any increase of the now greatly expanded volume of currency, whether by the issue of legal tender or by an additional bank circulation, will only intensify the cry, which we now hear ascending from all quarters, — from mechanics, soldiers, clerks, and artisans, for a further increase of wages and salaries, the tendency of which will be, in the words of Secretary Chase, "an extravagant increase of disbursements and an aggravation of the evil."

47. Instead of increase, the welfare and best interests of government and people demand a decrease. A contraction of the currency would result in saving the people

from the burden of a large increase of debt and taxes, and reduce it to the "normal condition of prices and business."

Mr. Chase suggests it in one sentence, but, alas, in the next, proposes again to augment it by the establishment of a national bank currency.

48. To accomplish so desirable an object, bank circulation, both State and National, should be suppressed, and a reduction of the issue of legal tender ensue, until the currency is brought to its normal condition, or at par with the precious metals. The currency of the country, so long as this war is in progress, should be confined exclusively to *legal tender notes*; as the government is entitled and should possess whatever benefits may be derived from the supply of a circulating medium, but the volume of that currency should certainly be reduced to its proper level, which is at par with gold.

49. What the country is really suffer-

ing for, is a currency which possesses a fixedness of value ; to attain that, it is essential that there should be a fixed, positive, and permanent amount of currency, — an amount which cannot be increased or tampered with by further issues of tender, interest-bearing notes, or national bank circulation, — an amount, whatever may be the sum total, which shall represent in itself a certain percentage of real value, thereby furnishing stability to prices. Then values, having assumed their relative proportions to the circulating medium, would no longer be affected by it, but would circulate at steady though high prices, or only as they were moved by causes operating universally.

50. Our government has assumed a fearful responsibility, in the increase of the circulating medium by the over-issue of paper ; it is a power that has always been abused, whenever and wherever exercised,

generally resulting in disaster. When once the power is assumed, it being so easy to print paper, and impossible to create value by enactment, over-issue is inevitable; money becomes depreciated, and values unsettled throughout the nation.

51. To-day our Honorable Secretary of the Treasury, Mr. Chase, holds, to a great extent, this power of issue — which he has received from the government — in his own hands. He has within his grasp the scale of value, the graduation of which he can vary at pleasure. It is a vast, responsible, and momentous power, of too great proportions, and weighty with too many precious interests, to be intrusted to the guardianship of any fallible man. Such is his power, that, by the retention and issue of currency, he can carry monetary prices up or down at will. He can impoverish or enrich, create or destroy, at pleasure.

It is fortunate for the country, however,

that our present Secretary is a man of so much sagacity and possesses such a high and honorable character. For it is by his prudence, foresight, and good judgment that we have been preserved from plunging still deeper into egregious folly.

Whatever may be Mr. Chase's virtues, it is nevertheless one of the great evils of an inconvertible paper currency that it places in the hands of any one man such tremendous power ; for we know not who may succeed him.

52. We are now apparently prosperous ; our financial machinery is running smoothly ; the paper mills are at work and are making certificates of debt, which the people take for their products ; our currency is one of debt, and that we are passing from hand to hand for values at high debt prices ; we are, in fact, submerged in debt ; it is over, around, and about us, the debt of towns, cities, counties, and of the nation, but as it presses like the atmosphere with such

equality upon our system we feel not its pressure.

53. Persons under water, having tons of it over their heads, feel not its weight ; and it is only when they come out, and attempt to raise a portion of it, that they become aware of its ponderous character.

Thus it will be with our people when they attempt to extricate themselves from their present position ; they will then begin to realize for the first time their burdened condition.

We are apparently prosperous, but when we return to specie payments, these imaginary paper values which everywhere prevail will be destroyed, and the people will discover that they were not really prosperous, but were much poorer than they had anticipated ; and they will then be convinced that wealth consists in the abundance of commodities money will procure, rather than in the amount of money that commodities will command.



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